Public Service Superannuation Board




Annual Report for 2013-2014

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Government of Saskatchewan

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Letters of Transmittal

Her Honour, the Honourable Vaughn Solomon Schofield,
Lieutenant Governor of Saskatchewan

May it Please Your Honour:

I respectfully submit the Annual Report of the Public Service Superannuation Board for the fiscal year ending March 31, 2014.

Ken Krawetz
Minister in Charge
Public Service Superannuation Board

The Honourable Ken Krawetz
Minister in Charge
Public Service Superannuation Board

Sir:

On behalf of the Public Service Superannuation Board, I have the honour to present herewith the Annual Report of the Public Service Superannuation Board for the fiscal year ended March 31, 2014.

Brian Smith
Board Chair

Introduction

The primary purpose of the Public Service Superannuation Board (the Board) is to provide pension benefits to employees in the event of retirement and secondarily in the event of termination of employment. The Public Service Superannuation Plan (PSSP) or (the Plan) also provides benefits to the dependents of deceased employees and superannuates in the event of death either prior, or subsequent, to retirement.

The Plan is a defined benefit pension plan, which provides a benefit based on an employee's highest earnings during specified periods taking into consideration their total years of service to a maximum of 35 years. Currently employees who are contributing to the Plan make contributions at a rate of seven per cent, eight per cent or nine per cent, depending on their age when they entered the Plan. This contribution is offset by an amount equal to 1.8 per cent of their pensionable earnings between the Year's Basic Exemption and the Year's Maximum Pensionable Earnings as defined on an annual basis by the Canada Pension Plan.

The Plan is governed by *The Public Service Superannuation Act*, (the Act) which came into being on May 1, 1927.

The Act also governs employees of the Anti-Tuberculosis League and the Saskatchewan Transportation Company.

The Plan was closed to new members as of October 1, 1977.

Public Service Superannuation Board

The Board, which consists of three members appointed by the Lieutenant Governor in Council, is responsible for the administration of *The Public Service Superannuation Act*. At March 31, 2014, the Board was composed of three members (listed in Table 1.1).

Public Service Superannuation Board Members	
Brian Smith	Chair
Nathan Hagen	Member
Barry Nowoselsky	Member

Table 1.1

Members of the Board receive no compensation for the performance of their roles as Board members. They are reimbursed for reasonable expenses for attending Board meetings and other functions in their capacity as Board members.

Administration

The Board is ultimately responsible for the Plan's administration, communication and investment activities. To discharge these responsibilities, the Board uses the services of various organizations. The Public Employees Benefits Agency (PEBA) has responsibility for the operation, administration and management of several superannuation plans and other employee benefits programs. PEBA provides the following administrative services for the Public Service Superannuation Plan:

- Pension estimates on retirement, termination, death and breakdown of spousal relationships, as well as transfer values for members wishing to transfer into the PSSP from other pension plans;
- Annual member statements by the end of June each year;
- Calculation of termination, pension, and death benefits;
- Accounting for all investment transactions;
- Collection of members' and employers' contributions; and
- Executive management services to the Board.

PEBA is responsible for ensuring that all transactions are made in accordance with *The Public Service Superannuation Act*, *The Superannuation (Supplementary Provisions) Act*, and their related regulations.

The Board retains Greystone Capital Management Inc. as the investment manager for the Saskatchewan Transportation Company Employees Superannuation Fund. Aon Hewitt was terminated as the plan's investment consultant in late 2013 when the Plan transitioned to a portfolio of short-term investments.

Mission

The Board's mission as the Plan's administrator is to manage the Plan solely in the best interests of the members.

Operational Goals and Objectives

In 2012, the Board adopted Operational Goals and Objectives for the administration of the Plan.

Annually, the results of the accomplishment of the objectives set for the Plan is reported to the Board.

The Board has identified three Operational Goals:

1. **Financial Management**

   The Board provides sound financial management of the Plan.

2. **Service Delivery and Communications**

   The Board provides excellent service to the members of the Public Service Superannuation Plan.

3. **Performance Measurement**

   The Board evaluates the performance of the Plan's service providers.

Operational Goals and Objectives

1. Financial Management

The Board provides sound financial management of the Plan.

The immediate focus of service delivery is on the remaining non-retired active members of the Plan until such time as all or substantially all of the active members are retired. The primary focus will then shift to service delivery for retired members.

Objectives

- The Board ensures the assets of the Saskatchewan Transportation Company Employees Superannuation Fund are invested appropriately by reviewing the Plan's Statement of Investment Policies and Goals (SIP&G) annually.
- The Board carries out an actuarial valuation of the Public Service Superannuation Plan at least every three years.
- The Board annually reviews and approves the operating budget for the Plan and monitors it quarterly.

Activities Accomplished in 2013-2014

- The Board reviewed and approved the SIP&G for the Saskatchewan Transportation Company Superannuation Fund at its meeting in March 2014.
- The Board reviewed the investment manager performance report at its meetings on June 25, 2013 and November 20, 2013.
- The Board received the actuarial extrapolations for the Public Service, Saskatchewan Transportation Company and Anti-Tuberculosis League Employees Superannuation Plans for the year ending March 31, 2013.
- The Board approved its 2013-2014 budget at its meeting on March 22, 2013.
- The Board received quarterly updates on its budget for the periods ending June 30, September 30, and December 31, 2013, and for the period ending March 31, 2014.

Operational Goals and Objectives

2. Service Delivery and Communications

The Board provides excellent service to the members of the Public Service Superannuation Plan.

Objectives

- The Board administers the Plan in compliance with *The Public Service Superannuation Act*, *The Superannuation (Supplementary Provisions) Act*, and the *Income Tax Act* (Canada).
- Plan members have access to the information they require to make the decisions about their retirement.
- The Board tables an annual report for the Plan in accordance with *The Tabling of Documents Act, 1991*.

Activities Accomplished in 2013-2014

- The Board reviewed the audit of the Plan for the 2012-2013 year provided by the Provincial Auditor of Saskatchewan (PAS) on November 20, 2013. In its opinion, PAS stated, for the year ended March 31, 2013:
  - The Board's financial statements were reliable;
  - The Board had adequate rules and procedures to safeguard public resources; and
  - The Board complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing and investing.
- The member booklet is available on the PEBA website.
- Retire*With*Ease retirement planning workshops were held throughout Saskatchewan in 2013-2014. These workshops are available to Plan members who wish to attend these sessions.
- The Plan's website is reviewed regularly and items are added or amended as required.
- Annual member statements were issued on May 24, 2013.
- The Board's 2012-2013 Annual Report was tabled in the Saskatchewan Legislature on July 25, 2013 prior to the deadline for tabling.

Operational Goals and Objectives

3. Performance Measurement

The Board evaluates the performance of the Plan's service providers.

Objectives

- The Board reviews the performance of the Plan's investment manager two times a year, including compliance with the Plan's Statement of Investment Policies and Goals.
- The Board evaluates the performance of the Plan's actuary annually.
- Administration performance is reported to the Board on a quarterly basis.

Activities Accomplished in 2013-2014

- The Board reviewed the investment manager performance report at its meetings on June 25, 2013 and November 20, 2013.
- The Board reviewed the performance of its actuary on June 25, 2013.
- The Board received quarterly reports on administration performance from the Public Employees Benefits Agency for the periods ending June 30, September 30, and December 31, 2013, and the period ending March 31, 2014.

Investments

Investment Performance

The Minister of Finance is responsible for holding in trust and investing the monies in the Saskatchewan Transportation Company Employees Superannuation Fund (the Fund). The Minister has delegated these responsibilities to the Board, who in turn have retained the services of Greystone Managed Investments Inc. to be the investment manager.

The investment manager makes the day-to-day decision of whether to buy or sell specific investments in order to achieve the long-term investment performance goals set out by the Board in their SIP&G for the Fund.

In November 2012, the Board approved the transition of Plan assets from a Balanced Fund mandate to a Money Market mandate.

The Fund's long-term investment performance objective is to outperform the benchmark portfolio which is the FTSE TMX Canada 91-Day T-Bill Index.

The objective of the Fund is to achieve a return that is equal to or greater than the return achieved from this benchmark portfolio over a rolling four-year period.

It is against this objective that the Board assesses the performance of the investment manager.

The performance history of the Fund as of March 31, 2014 is shown in *Table 1.2*.

Fund Performance		
	1-Year Return	**Rolling 4-Year Average**
Fund Return	1.1%	4.6%
Benchmark Return	1.0%	4.8%

Table 1.2

Plan Administration

The Board has delegated the day-to-day administration of the Plan and management of its assets to PEBA.

PEBA provides all services required to operate, administer and manage the Plan in a manner consistent with and according to all statutory provisions and regulations that apply to the Plan. PEBA reports measurement against standards to the Board quarterly. *Table 1.3* provides measurement results for the 2013-2014 year.

PEBA provides Senior Executive Officer services and Executive Secretary services to the Board.

In 2013-2014, the Board paid PEBA $1,184,096 for administrative services.

Any deficiencies in the Plan are paid out of the General Revenue Fund and are the responsibility of the Government of Saskatchewan. For the most part the Plan is unfunded, although some monies are held in the Saskatchewan Transportation Company Employees Superannuation Fund.

PEBA Service Standards April 1, 2013 to March 31, 2014

Task	Completed	Number that Meet or Exceed Standard	% that Meet or Exceed Standard	Standard* (Days)
Statement on termination	0	0	n/a	60
Payments	2	2	100.0	14
Retirements	88	88	100.0	20 (30)
Deaths	297	276	92.9	10 (30)
Pension estimates	105	85	80.9	25 (60)
Spousal breakdown calculations	5	5	100.0	20 (45)
Reciprocal transfer values	0	0	n/a	30
Purchase of service	3	2	66.7	30
General inquiries	0	0	n/a	14
Total	500	458	91.6	-

** Standard is set by agreement between the Board and PEBA. Standards in brackets ( ) were changed in October 2013.*

Table 1.3

Plan Expenditures and Statistics

Benefit Payments

Benefit payments are made in accordance with the Plan rules due to retirement of employees, termination of employment and death benefits – either due to death of an employee or a superannuate.

Annual pensions are calculated as two per cent of a member's average salary during the five years of highest salary, multiplied by the total number of years of service to a maximum of 35 years. At age 65, members' pensions are reduced due to integration with the Canada Pension Plan.

In the year ended March 31, 2014, PSSP paid a total of $133.2 million in benefits to pensioners, including retired employees of the Saskatchewan Transportation Company and The Anti-Tuberculosis League.

Contributions to the Plan

In accordance with the contribution schedules, employee contributions to the Plan during the year totaled $208,000. This compares to $390,000 as of the previous fiscal year end. In addition, employer contributions were made to the Plan during the year, totaling $52,000, a decrease from $57,000 the previous year.

Table 1.4 shows the number of active and retired employees in the Plan as of the current and prior year-ends.

Active and Retired Employees						
	March 31, 2014			March 31, 2013		
	PSSP	**Anti-TB**	**STC**	**PSSP**	**Anti-TB**	**STC**
Active Employees	206	0	2	293	0	2
Inactive Employees	23	0	0	68	1	5
Retired Employees*	5,520	40	109	5,668	43	111
	5,749	**40**	**111**	**6,029**	**44**	**118**

* Includes superannuates, plus their dependants now in receipt of a survivor pension

Table 1.4

These tables are summaries that show the total number of death benefits paid on behalf of superannuates who died during the year and benefits upon termination of employment other than retirement.

Death Benefit Summary		
	March 31, 2014	**March 31, 2013**
Superannuate Survivor Pension	79	81
Superannuate Cash Benefit	0	0
Totals	**79**	**81**

Table 1.5

Termination of Employment Summary		
	March 31, 2014	**March 31, 2013**
Cancel Deferred *	46	1
Termination of Membership	0	8
Reciprocal Transfers	0	0
Totals	**46**	**9**

Table 1.6

* Clean up project of deferred members not eligible for retirement; paid out contributions and interest.

Plan Expenditures and Statistics

Table 1.7 summarizes all employees who retired during the year, including employees of the Saskatchewan Transportation Company and The Anti-Tuberculosis League.

The table is divided by category of retirement and includes employees who terminated and elected retirement at a future date, as well as those who died during the year.

Employee Retirement Summary	March 31, 2014	March 31, 2013
Attained Age 65	1	0
Attained Age 60 - with reduction	0	0
Attained Age 60 - no reduction	1	3
Attained 35 years of Service	79	127
Age 55 and 30 years service - reduced pension	0	0
Ill Health Pension	0	0
Granted Deferred Allowance	0	0
Deferred Allowance now Payable	5	6
Early Retirement Allowance	0	0
Deceased Employees	1	3
Totals	**87**	**139**

Table 1.7

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

Administration of the Plan is presently assigned to the Public Employees Benefits Agency of the Ministry of Finance. Management is responsible for financial administration and administration of the Funds and fund assets.

The financial statements which follow have been prepared by management in conformity with Canadian accounting standards for pension plans as outlined in the CPA Canada Handbook Section 4600, Pension Plans. For matters not addressed in Section 4600, International Financial Reporting Standards (IFRS) have been followed. Management uses internal controls and exercises its best judgment in order that the financial statements fairly reflect the financial position of the Plan.

The pension obligations are determined by an actuarial valuation. Actuarial valuation reports require best judgment in order that the financial statements reflect fairly the financial position of the Plan.

The financial statements have been audited by the Provincial Auditor whose report follows.

Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Regina, Saskatchewan
June 25, 2014

Actuaries' Opinion

With respect to the Public Service Superannuation Plan (the "Plan"), I have prepared an actuarial valuation as at December 31, 2011 with the results subsequently extrapolated to March 31, 2014 for the purpose of determining the necessary actuarial information for financial statement reporting in accordance with PS3250 and Section 4600 of the CPA Canada Handbook.

In my opinion, for the purpose of this actuarial valuation and extrapolation:

- The data on which this valuation and subsequent extrapolation are based are sufficient and reliable for the purpose of the valuation and extrapolation.
- Where applicable, the assumptions have been adopted as management's best estimates for accounting purposes and consequently I have not rendered a specific opinion on them; however, in my opinion, the assumptions are in aggregate not unreasonable, when considering the circumstances of the Plan and the purpose of the valuation and extrapolation.
- The actuarial cost methods, extrapolation methods, and valuation methods employed are appropriate for the purpose of the valuation and extrapolation.
- The actuarial valuation and extrapolation conforms with the requirements of PS 3250 and Section 4600 of the CPA Canada Handbook.

Nonetheless, emerging experience differing from the assumptions will result in gains or losses, which will be revealed in subsequent valuations.

This letter has been prepared and this actuarial opinion has been given in accordance with accepted actuarial practice.

David R. Larsen, FSA, FCIA
Aon Hewitt

April 25, 2014

Public Service Superannuation Board

Public Service Superannuation Plan

Financial Statements

Year Ended March 31, 2014

PROVINCIAL AUDITOR
of Saskatchewan

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Public Service Superannuation Plan, which comprise the Statement of Financial Position as at March 31, 2014 and the Statements of Changes in Net Assets Available for Benefits and Changes in Pension Obligations for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans for Treasury Board's approval and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Public Service Superannuation Plan as at March 31, 2014 and the changes in its net assets available for benefits and changes in its pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

Judy Ferguson

Regina, Saskatchewan
June 25, 2014

Judy Ferguson, FCA
Acting Provincial Auditor

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Public Service Superannuation Plan
Statement of Financial Position — **Statement 1**

As At March 31

	Anti-Tuberculosis League Employees Superannuation Fund (000's)		Sask. Transportation Company Employees Superannuation Fund (000's)		Public Service Superannuation Fund (000's)		Total (000's)	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
ASSETS								
INVESTMENTS: (Note 4)								
Pooled funds	$ -	$ -	$ 1,223	$ 3,257	$ -	$ -	$ 1,223	$ 3,257
RECEIVABLES:								
Due from General Revenue Fund (Note 6)	-	-	8	8	-	-	8	8
Deficiency contribution due from GRF (Note 7)	14	3	-	-	214	594	228	597
Employees' contributions	-	-	-	-	4	2	4	2
Employers' contributions	-	-	-	-	1	1	1	1
Other receivables	-	-	-	-	-	6	-	6
Total assets	14	3	1,231	3,265	219	603	1,464	3,871
LIABILITIES								
Accounts payable and accrued liabilities	14	3	10	8	219	603	243	614
Total liabilities	14	3	10	8	219	603	243	614
NET ASSETS AVAILABLE FOR BENEFITS (Statement 2)	-	-	1,221	3,257	-	-	1,221	3,257
Pension obligations (Statement 3, Note 5)	2,250	2,639	24,344	26,646	1,963,353	2,155,898	1,989,947	2,185,183
Deficit	$2,250	$2,639	$23,123	$23,389	$1,963,353	$2,155,898	$1,988,726	$2,181,926

(See accompanying notes to the financial statements)

Public Service Superannuation Plan
Statement of Changes in Net Assets Available for Benefits

Statement 2

Year Ended March 31

	Anti-Tuberculosis League Employees Superannuation Fund (000's)		Sask. Transportation Company Employees Superannuation Fund (000's)		Public Service Superannuation Fund (000's)		Total (000's)	
	2014	2013	2014	2013	2014	2013	2014	2013
INCREASE IN ASSETS:								
Investment income	$ -	$ -	$ 25	$ 128	$ -	$ -	$ 25	$ 128
Increase in market value (Note 4)	-	-	-	45	-	-	-	45
	-	-	25	173	-	-	25	173
Contributions								
Employees' (Note 13)	-	-	2	2	206	388	208	390
Employers' (Note 13)	-	-	2	2	50	55	52	57
	-	-	4	4	256	443	260	447
Deficiency contribution from General Revenue Fund (Note 7)	389	379	-	-	130,791	131,156	131,180	131,535
Total increase in assets	389	379	29	177	131,047	131,599	131,465	132,155
DECREASE IN ASSETS:								
Administration expense (Note 8)	20	13	46	48	-	-	66	61
Superannuation allowances	359	366	2,017	2,040	130,845	130,673	133,221	133,079
Refunds and transfers (Note 13)	10	-	2	-	202	926	214	926
Total decrease in assets	389	379	2,065	2,088	131,047	131,599	133,501	134,066
Net decrease in assets	-	-	(2,036)	(1,911)	-	-	(2,036)	(1,911)
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	-	-	3,257	5,168	-	-	3,257	5,168
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR (Statement 1)	$ -	$ -	$ 1,221	$3,257	$ -	$ -	$ 1,221	$ 3,257

(See accompanying notes to the financial statements)

Public Service Superannuation Plan
Statement of Changes in Pension Obligations

Statement 3

Year Ended March 31

	Anti-Tuberculosis League Employees Superannuation Fund (000's)		Sask. Transportation Company Employees Superannuation Fund (000's)		Public Service Superannuation Fund (000's)		Total (000's)	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
PENSION OBLIGATIONS, BEGINNING OF YEAR	$2,639	$2,775	$26,646	$25,465	$2,155,898	$2,085,497	$2,185,183	$2,113,737
INCREASE IN PENSION OBLIGATIONS								
Change in assumptions (Note 5)	-	156	-	2,045	-	139,252	-	141,453
Interest on pension obligations	66	93	1,411	1,345	62,743	72,791	64,220	74,229
Pension obligations accrued	-	-	14	12	1,374	2,477	1,388	2,489
	66	249	1,425	3,402	64,117	214,520	65,608	218,171
DECREASE IN PENSION OBLIGATIONS								
Pension obligations paid	369	366	2,019	2,040	131,047	131,599	133,435	134,005
Change in assumptions (Note 5)	64	-	1,509	-	112,063	-	113,636	-
Net experience gain (Note 5)	22	19	199	181	13,552	12,520	13,773	12,720
	455	385	3,727	2,221	256,662	144,119	260,844	146,725
PENSION OBLIGATIONS, END OF YEAR (Statement 1, Note 5)	$2,250	$2,639	$24,344	$26,646	$1,963,353	$2,155,898	$1,989,947	$2,185,183

(See accompanying notes to the financial statements)

Public Service Superannuation Plan
Notes to the Financial Statements

March 31, 2014

1. Description of the Plan

a) General

The Public Service Superannuation Board (Board) administers the funds that make up the Public Service Superannuation Plan (Plan). Day-to-day administration is provided by the Public Employees Benefits Agency (PEBA).

The Plan is a defined benefit final average pension plan. Plan details are contained in *The Public Service Superannuation Act* and *The Superannuation (Supplementary Provisions) Act*. The three main components of the Plan are described as follows:

i) Anti-Tuberculosis League Employees Superannuation Fund

The Anti-Tuberculosis League Employees Superannuation Fund (AntiTB Fund) was established under provisions of an amendment to *The Public Service Superannuation Act*, effective April 1, 1979.

ii) Saskatchewan Transportation Company Employees Superannuation Fund

The Saskatchewan Transportation Company Employees Superannuation Fund (STC Fund) was established by an amendment to *The Public Service Superannuation Act*, effective April 1, 1981. The STC Fund accumulates contributions of employees of the Saskatchewan Transportation Company as of March 31, 1981 and any investment income.

iii) Public Service Superannuation Fund

Members of the Public Service Superannuation Fund (PSSF) include those public service employees who were employed prior to October 1, 1977 and did not elect to transfer to the Public Employees Pension Plan prior to October 1, 1978.

b) Funding Policy

Members contribute at the rate of 7 per cent, 8 per cent or 9 per cent of salary depending on their age at the date of commencement of employment. Contributions are reduced by an amount equal to deemed Canada Pension Plan contributions.

Certain employers are required to match employees' contributions in respect of current service.

c) Retirement

Normal retirement is at age 65. Members may retire earlier under certain conditions.

d) Pensions

Annual pensions are calculated as 2 per cent of a member's average salary during the five years of highest salary, multiplied by the total number of years of service to a maximum of 35. At age 65, members' pensions are reduced due to integration with the Canada Pension Plan.

e) **Income Tax**

The Plan is a registered pension plan as defined by the *Income Tax Act* (Canada) and accordingly, is not subject to income taxes. Allowances and refunds are subject to withholding taxes that are remitted to Canada Revenue Agency.

2. Basis of Preparation

a) **Statement of compliance**

The financial statements for the year ended March 31, 2014 have been prepared in accordance with Canadian accounting standards for pension plans as outlined in the CPA Canada Handbook Section 4600, *Pension Plans*. For matters not addressed in Section 4600, International Financial Reporting Standards (IFRS) have been followed.

These financial statements were authorized and issued by the Board on June 25, 2014.

b) **Basis of measurement**

The financial statements have been prepared on the historical cost basis except for financial instruments which have been valued at fair value.

c) **Functional and presentation currency**

These financial statements are presented in Canadian dollars, which is the Plan's functional currency, and are rounded to the nearest thousand unless otherwise stated.

3. Significant Accounting Policies

The significant accounting policies are as follows:

a) **Basis of Accounting**

These financial statements are prepared on the going-concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity independent of the sponsor and plan members. They are prepared to assist Plan members and others in reviewing the activities of the Plan for the fiscal period but they do not portray the funding requirements of the Plan or the benefit security of individual plan members.

b) **Investments**

Pooled fund investments are valued at the unit value supplied by the pooled-fund administrator, which represent the underlying net assets of the pooled fund at fair values determined using closing bid prices.

The change in the market value of investments during the year is reflected on the financial statements as a market-value adjustment.

c) **Investment Transactions and Income**

Investment transactions are recorded on the trade date. Transactions conducted in foreign currencies are translated into Canadian dollars using the exchange rate in effect at the transaction date. Dividend income is recognized on the record date. Monetary items denominated in foreign currency are translated at the exchange rate in effect at year-end.

d) **Use of estimates**

The preparation of financial statements in accordance with Canadian accounting standards for pension plans requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and changes in estimates are recorded in the accounting period in which they are determined. The most significant estimation process is related to the actuarial determination of the pension obligation (Note 5).

e) **Changes in Accounting Policies**

IFRS 13 - Fair Value Measurement

IFRS 13, issued in May 2011, redefines fair value to emphasize that it is a market-based measurement, not an entity-specific measurement. It also provides a single framework for measuring fair value and applies, with limited exceptions, when another standard permits or requires fair value measurement. In addition, IFRS 13 requires specific disclosures about fair value measurement. The standard is effective for annual periods beginning on or after January 1, 2013.

The Plan has adopted the new standards, along with any consequential amendments, effective January 1, 2013. The adoption of these changes did not result in any adjustments and had no significant impact.

f) **Future Accounting Changes**

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended March 31, 2014, and have not been applied in preparing these financial statements. In particular, IFRS 9, Financial Instruments, for which the effective date of adoption, has not been determined. The extent of the impact of adoption of this standard is not known at this time, but is not expected to be material.

4. Investments

The Saskatchewan Transportation Company Employees Superannuation Fund currently has all its investments in the Greystone Money Market Fund due to the short term duration of the assets remaining in the Fund.

The STC Fund's pooled funds are comprised of the following:

2014 (in thousands)

	Units Held	% of Total Units Outstanding	Market Value	Investment Income and Change in Market Value
Greystone Money Market Fund	122	0.47	$ 1,223	$ 25

2013 (in thousands)				
	Units Held	% of Total Units Outstanding	Market Value	Investment Income and Change in Market Value
Greystone Fixed Income Fund	-	-	$ -	$ 86
Greystone Canadian Equity Fund	-	-	-	28
Greystone EAFE Plus Fund	-	-	-	-
Greystone EAFE Growth Fund	-	-	-	28
Greystone EAFE Quantitative Fund	-	-	-	-
Greystone US Equity Fund	-	-	-	22
Greystone Money Market Fund	326	1.00	3,257	9
			$3,257	$173

As at March 31, 2014 the STC Fund held no investments that may use derivative financial instruments.

Fair Value

The Saskatchewan Transportation Company Employees Superannuation Fund has classified its required fair valued financial instrument holdings using a hierarchy that reflects the significance of the inputs used in determining their measurements.

Under the classification structure, financial instruments recorded at unadjusted quoted prices in active markets for identical assets and liabilities are classified as Level 1. Instruments valued using inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly are classified as Level 2. Instruments valued using inputs that are not based on observable market data are classified as Level 3.

The Plan presently holds only financial instruments that are classified as Level 2. There were no items transferred between levels in 2014 or 2013.

5. Pension Obligations

Public Service Superannuation Fund:

An actuarial valuation of the Public Service Superannuation Fund was performed as at December 31, 2011 and extrapolated to March 31, 2014 by Aon Hewitt. The actuary used the projected benefit method prorated on service to determine the actuarial present value of pension obligations in respect of service to the valuation date. The next triennial valuation is due December 31, 2014.

The pension obligation is based on a number of assumptions about future events including: discount rate, rate of salary increase, mortality, retirement rates and inflation. There has been a change in the discount rate since the previous extrapolation done in 2013. The actual rates may vary significantly from the long-term assumptions used. The discount rate is based on the yield on Saskatchewan provincial government bonds with cash flows that match the timing and amount of expected benefit payments. This yield has increased from 3.00 per cent to 3.50 per cent, resulting in a decrease in the pension obligations.

Significant long-term actuarial assumptions used in determining the pension obligations were:

	2014	2013
Salary escalation rate	3.50%	3.50%
Inflation rate	2.50%	2.50%
Discount rate	3.50%	3.00%
Mortality table	1994 UPM with generational projection	1994 UPM with generational projection
Indexing	1.75% (70% CPI)	1.75% (70% CPI)

The net experience gain is due to indexing at April 1, 2014 being less than expected.

The following illustrates the effect on the pension obligation of changing the estimated rates of inflation, salary escalation and discount rate.

	Long-term Assumptions					
	Inflation*		Salary		Discount Rate	
Assumption Changes	3.5%	1.5%	4.5%	2.5%	4.5%	2.5%
(Decrease) increase in obligation	(3.9%)	4.2%	0.01%	(0.01%)	(10.2%)	12.4%

* A change in the inflation rate of one per cent has a corresponding change in the discount rate and salary scale of one per cent.

Anti-Tuberculosis League Employees Superannuation Fund:

An actuarial valuation of the Anti-Tuberculosis League Employees Superannuation Fund was performed as at December 31, 2011 and extrapolated to March 31, 2014 by Aon Hewitt. The actuary used the projected benefit method prorated on service to determine the actuarial present value of pension obligations in respect of service to the valuation date. The next triennial valuation is due December 31, 2014.

The pension obligation is based on a number of assumptions about future events including: discount rate, mortality and inflation. There has been a change in the discount rate since the previous extrapolation done in 2013. The actual rates may vary significantly from the long-term assumptions used. The discount rate is based on the yield on Saskatchewan provincial government bonds with cash flows that match the timing and amount of expected benefit payments. This yield has increased from 2.70 per cent to 3.10 per cent, resulting in a decrease in the pension obligations.

Significant long-term actuarial assumptions used in determining the pension obligations were:

	2014	2013
Inflation rate	2.50%	2.50%
Discount rate	3.10%	2.70%
Mortality table	1994 UPM with generational projection	1994 UPM with generational projection
Indexing	1.75% (70% CPI)	1.75% (70% CPI)

The net experience gain is due to indexing at April 1, 2014 being less than expected.

The following illustrates the effect on the pension obligations of changing the estimated rates of inflation and discount rate.

Long-term Assumptions

	Inflation*		**Discount Rate**	
Assumption Changes	3.5%	1.5%	4.1%	2.1%
(Decrease) increase in obligation	(3.3%)	3.4%	(6.4%)	7.3%

* A change of one per cent in the inflation rate has a corresponding change in the discount rate of one per cent.

Saskatchewan Transportation Company Employees Superannuation Fund:

An actuarial valuation of the Saskatchewan Transportation Company Employees Superannuation Fund was performed as at December 31, 2011 and extrapolated to March 31, 2014 by Aon Hewitt. The actuary used the projected benefit method prorated on service to determine the actuarial present value of pension obligations in respect of service to the valuation date. The next triennial valuation is due December 31, 2014.

The pension obligation is based on a number of assumptions about future events including: discount rate, rate of salary increase, mortality, retirement rates and inflation. There has been a change in the discount rate since the previous extrapolation done in 2013. The actual rates may vary significantly from the long-term assumptions used. The ultimate discount rate is based on the yield on Saskatchewan provincial government bonds with cash flows that match the timing and amount of expected benefit payments after the exhaustion of the invested assets of the plan, which are expected to earn 5.50 per cent per annum. This yield has increased from 3.00 per cent to 3.40 per cent, resulting in a decrease in the pension obligations.

Significant long-term actuarial assumptions used in determining the pension obligations were:

	2014	**2013**
Salary escalation rate	3.50%	3.50%
Inflation rate	2.50%	2.50%
Discount rate	5.50% for 1 year, 3.40% thereafter	5.50% for 2 years, 3.00% thereafter
Mortality table	1994 UPM with generational projection	1994 UPM with generational projection
Indexing	1.75% (70% CPI)	1.75% (70% CPI)

The net experience gain is due to indexing as at April 1, 2014 being less than expected.

The following illustrates the effect on the pension obligations of changing the estimated rates of inflation, salary escalation and discount rate.

Long-term Assumptions

	Inflation*		**Salary**		**Discount Rate**	
Assumption Changes	3.5%	1.5%	4.5%	2.5%	6.50% for 1 year, 4.40% thereafter	4.50% for 1 year, 2.40% thereafter
(Decrease) increase in obligation	(3.9%)	4.2%	0.02%	(0.02%)	(9.1%)	10.8%

* A change in the inflation rate of one per cent has a corresponding change in the discount rate and salary scale of one per cent.

6. Due from General Revenue Fund

The STC Fund and the AntiTB Fund bank accounts are included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan.

Each Fund's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis using the Government's thirty-day borrowing rate and the Fund's average daily bank account balance. The Government's average thirty-day borrowing rate in the current year was 1.02 per cent (2013 – 1.09 per cent).

7. Deficiency Contribution from the General Revenue Fund

Under Section 40 of *The Public Service Superannuation Act*, all contributions received by the Board for the PSSF are recorded as revenue of the General Revenue Fund. No funds are set aside for the payment of future benefits. All allowances and other payments are made out of the General Revenue Fund. The transactions relating to employers' and employees' contributions, superannuation allowances and refunds and transfers are recorded in these financial statements for accountability purposes.

Any deficiency of allowances and other payments over employers' and employees' contributions are recorded as a Deficiency Contribution from the General Revenue Fund. The administration costs of the PSSF are borne by the General Revenue Fund (see Note 8).

Subsections 60.1(12) and 60.2(13) of *The Public Service Superannuation Act* states that if there is insufficient money in the STC Fund and the AntiTB Fund to pay allowances or make other payments, the Minister of Finance is obligated to pay any such deficiency out of the General Revenue Fund.

8. Related Party Transactions

The annual operating expenditures associated with the administration of the STC Fund and AntiTB Fund are paid to the Public Employees Benefits Agency Revolving Fund except for investment management fees incurred for the STC Fund which are paid directly to Greystone Managed Investments Inc.

	2014 (000's)						2013 (000's)		
	AntiTB		STC		Total		AntiTB	STC	Total
	Budget	Actual	Budget	Actual	Budget	Actual	Actual	Actual	Actual
Administration costs	$18	$18	$50	$36	$68	$54	$11	$35	$46
Actuarial fees	2	2	2	2	4	4	2	2	4
Investment management fees	-	-	9	8	9	8	-	11	11
	$20	$20	$61	$46	$81	$66	$13	$48	$61

In accordance with subsection 3(3) of *The Public Service Superannuation Act*, all general administrative and employee costs required for the administration of the Public Service Superannuation Fund are paid out of the General Revenue Fund. Accordingly, no provision for these costs is included in these financial statements. Administration costs for the year were $1,113,021 (2013 - $1,181,813). Actuarial fees for the year were $14,278 (2013 - $2,655).

9. Fair Value of Financial Assets and Financial Liabilities

For the following financial instruments, the fair value approximates their carrying value due to their immediate or short-term nature:

a) Due from General Revenue Fund
b) Employees' contributions receivable
c) Employers' contributions receivable
d) Other receivables
e) Contributions payable to General Revenue Fund
f) Accounts payable and accrued liabilities

Calculation of the fair value of investments is disclosed in Note 3.

The fair value of pension obligations cannot be readily determined, however, information about the estimated provision is provided in Note 5.

10. Investment Performance

The investment manager makes day-to-day decisions on whether to buy or sell investments in order to achieve the long-term performance objectives set by the Board. The Board reviews the investment performance of the STC Fund in terms of the performance of the benchmark portfolio over four-year rolling periods. The primary long-term investment performance objective for the entire portfolio is to outperform a benchmark portfolio.

The following is a summary of the STC Fund's investment performance:

	2014	2013	Rolling Four-year Average Annual Return
Fund's actual rate of return (a)	1.08%	4.52%	4.60%
Fund's benchmark (b)	1.00%	6.67%	4.84%

(a) The annual returns are before deducting investment expenses.
(b) The Fund's benchmark for its investment portfolio has been calculated using the actual returns of the following indices: The Standard & Poors (S&P) / Toronto Stock Exchange Capped Composite Index, the S&P 500 (Canadian dollars) Index, the Morgan Stanley Capital International Europe, Australasia and Far East Index (Canadian dollars), the DEX Universe Bond Index, and the DEX 91-Day Treasury Bill Index.

11. Financial Risk Management

The nature of the Plan's operations results in a statement of financial position that consists primarily of financial instruments. The risks that arise are credit risk and liquidity risk.

Significant financial risks are related to the STC Fund's investments. These financial risks are managed by having an investment policy, which is approved annually by the Board. The investment policy provides guidelines to the STC Fund's investment managers for the asset mix of the portfolio regarding quality and quantity of fixed income investments. The Board reviews regular compliance reports from its investment manager and custodian as to their compliance with the investment policy. The Board also reviews regular compliance reports from its custodian as to the investment manager's compliance with the investment policy.

Credit risk

Credit risk is the risk that one party does not pay funds owed to another party. The Plan's credit risk arises primarily from accounts receivable and fixed income investments. The maximum credit risk to which it is exposed at March 31, 2014 is limited to the carrying value of the financial assets summarized as follows:

	2014 Carrying value ($000's)	2013 Carrying value ($000's)
Employees' contributions receivable	$ 4	$ 2
Employers' contributions receivable	1	1
Other receivables	-	6
Due from General Revenue Fund	8	8
Deficiency Contribution due from GRF	228	597
Fixed income investments[1]	1,223	3,257

[1] Includes money market pooled funds.

Employee and employer contributions receivable are generally received in less than 30 days.

Credit risk within investments is primarily related to the money market pooled fund. It is managed through the investment policy that limits fixed-term investments to those of high credit quality (minimum rating for short-term investments is R-1) along with limits to the maximum notional amount of exposure with respect to any one issuer.

Liquidity risk

Liquidity risk is the risk that the Plan is unable to meet its financial obligations as they fall due. Cash resources are managed on a daily basis based on anticipated cash flows. Accounts payable and accrued liabilities will be paid within the next fiscal period.

12. Cash Flow Forecast

The total cash inflows are the amount of contributions expected to be received by the pension plan. The total cash outflows are the amounts required to pay all pension obligations. The forecast of cash inflows and outflows have been determined using the long-term assumptions outlined in Note 5. The expected net cash flows are based on actual dollar forecasts unadjusted for inflation. The cash required for PSSF is the amount by which the cash outflows exceed cash inflows and is forecast to the end of the year 2044.

Year	Cash Inflows (000's)	Cash Outflows (000's)	Cash Required (000's)
2014-2015	$ 29	$ 135,812	$ 135,783
2015-2016	16	133,469	133,453
2016-2017	3	130,795	130,792
2017-2018	-	127,893	127,893
2018-2019	-	125,046	125,046
Total within 5 years	$ 48	$ 653,015	$ 652,967
Total 5 - 10 years	$ -	$ 578,039	$ 578,039
Total 11 - 30 years	$ -	$1,557,025	$1,557,025

The estimated net cash outflows for the AntiTB Fund for the next five years is $1.3 million, for the next 10 years $2.0 million and for the next 30 years $2.9 million. The estimated net cash outflows for the STC Fund for the next five years is $9.2 million, for the next 10 years $17.1 million, and for the next 30 years $34.0 million.

13. Details of contributions, refunds and transfers

During the year, contributions were as follows ($000):

	2014	2013
Required employees' contributions	$ 210	$ 354
Employees' past service contributions	(2)	36
Required employers' contributions (current service)	52	57
Total (Statement 2)	$ 260	$ 447

During the year, refunds and transfers were as follows ($000):

	2014	2013
Termination refunds	$ 196	$ 341
Death benefits	(38)	132
Marital Breakdowns	487	453
Adjustments	(431)	-
Total (Statement 2)	$ 214	$ 926

**Adjustments relate to the reversal of previously estimated marital breakdown amounts and termination refund amounts. They are deemed no longer payable as they did not occur.*

14. Capital Management

The STC Fund receives new capital from employee and employer contributions. The STC Fund also benefits from income and market value increase on its invested capital. The STC Fund's capital is invested in a money market fund. The Minister has delegated the operational investment decisions to Greystone Managed Investments Inc. as defined in the STC Fund's Statement of Investment Policies and Goals.

Appendix 'A'

Description of Market Indices

FTSE TMX 91-Day T-Bill Index

Canada Treasury Bills represent the highest quality short-term instruments available. The index is constructed by selling and repurchasing Government of Canada T-Bills with an average term to maturity of 91 days. The DEX 91-Day T-Bill Index is calculated and marked to market daily.